



May 24, 2006

Mr. Charles Terreni
Chief Clerk/Administrator
Public Service Commission of South Carolina
P. O. Drawer 11649
Columbia, South Carolina 29211

Re: Docket No. 2006-1-E

Dear Mr. Terreni:

Enclosed for filing is the original plus one copy of the supplemental direct testimony of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. witness Bruce P. Barkley relevant to the above-referenced docket. All parties of record have been served.

Very truly yours,

s/

Len S. Anthony
Deputy General Counsel – Regulatory Affairs

LSA:mhm

Enclosures

cc: All parties of record

234816

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION

DOCKET NO. 2006-1-E

In the Matter of:

**Carolina Power & Light
Company, d/b/a Progress
Energy Carolinas, Inc., -
Annual Review of Base Rates
for Fuel Costs**

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CERTIFICATE OF SERVICE

I, Len S. Anthony, hereby certify that the supplemental direct testimony of Carolina Power & Light Company d/b/a Progress Energy Carolinas, Inc. witness Bruce P. Barkley in Docket 2006-1-E has been served on all parties of record either electronically, by hand delivery or by depositing said copy in the United States mail, postage prepaid, addressed as follows this the 24th day of May 2006:

Wendy B. Cartledge, Esq. State of South Carolina Office of Regulatory Staff P. O. Box 11263 Columbia, SC 29211	Mr. Scott Elliott Elliott & Elliott, PA 721 Olive Street Columbia, SC 29205
Garrett A. Stone, Esq. Brickfield, Burchette, Ritts & Stone, P.C. 1025 Thomas Jefferson Street, NW Eighth Floor West Washington, DC 20007	

s/

Len S. Anthony
Deputy General Counsel-Regulatory Affairs
Progress Energy Carolinas, Inc.
410 S. Wilmington St. / PEB 17A4
Raleigh, NC 27602
Tel: 919-546-6367

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
DOCKET NO. 2006-1-E
SUPPLEMENTAL DIRECT TESTIMONY OF PROGRESS ENERGY
CAROLINAS, INC.**

WITNESS BRUCE P. BARKLEY

1 **Q. Please state your name, address, and position.**

2 A. My name is Bruce P. Barkley and my business address is 410 S. Wilmington Street,
3 Raleigh, North Carolina. My position is Manager–Fuel Forecasting and Regulatory
4 Support for Progress Energy Carolinas, Inc. (“PEC”)

5 **Q. Have you previously filed testimony in this proceeding?**

6 A. Yes, on May 3, 2006, I caused to be pre-filed with the Commission my direct
7 testimony recommending the Commission establish a fuel factor for PEC in the
8 amount of 2.554 cents per kwh for the period July 1, 2006 through June 30, 2007.

9 **Q. What is the purpose of your supplemental direct testimony?**

10 A. The purpose of my supplemental direct testimony is to support the settlement
11 agreement entered into by and between PEC, the Office of Regulatory Staff, Nucor
12 Steel, and the South Carolina Energy Users that was filed with the Commission on
13 May 17, 2006.

14 **Q. Why does PEC support the settlement agreement?**

15 A. There are two reasons. First, it provides PEC a reasonable opportunity to recover its
16 forecasted fuel costs during the period the new rate will be in effect (July 1, 2006
17 through June 30, 2007); second, it creates the opportunity for PEC to work with its
18 customers to determine whether a uniform fuel factor for all customers for all
19 seasons is still the best mechanism for PEC to recover its fuel costs.

1 **Q. In your direct testimony you recommended a fuel factor of 2.554 cents per**
2 **kwh for the period July 1, 2006 through June 30, 2007. Why is PEC willing to**
3 **agree to a fuel factor of 2.5 cents per kwh?**

4 A. The fuel factor I recommended in my testimony was designed to allow PEC to
5 recover during the period July 1, 2006 through June 30, 2007, a portion of PEC's
6 deferred fuel costs and PEC's projected fuel costs for that same period. Obviously,
7 the amount of PEC's deferred fuel cost balance is easily ascertained. However, the
8 calculation of the fuel costs PEC will incur over the next twelve months is based
9 upon numerous assumptions and forecasts. While PEC believes that a fuel factor of
10 2.554 cents per kwh represents the best estimate of the rate PEC will need to
11 recover its fuel costs during the period July 1, 2006 through June 30, 2007, we
12 consider a fuel factor of 2.5 cents to be within the range of reasonableness and a
13 proper basis upon which to resolve this case.

14 With regard to the initiative to determine whether PEC's fuel factor should vary
15 based upon the season or customer class or some other factor, PEC believes that
16 such an analysis is appropriate and will assist all parties and the Commission in
17 determining whether a uniform fuel factor for all customers for all seasons is still
18 the best mechanism for PEC to recover its fuel costs

19 **Q, Do you recommend the Commission approve the settlement?**

20 A. Yes.

21 **Q. Does that complete your supplemental direct testimony?**

22 A. Yes it does.